



BOARD OF EQUALIZATION

BUSINESS TAXES COMMITTEE MEETING MINUTES

HONORABLE CLAUDE PARRISH, COMMITTEE CHAIR

450 N STREET, SACRAMENTO

MEETING DATE: JANUARY 8, 2003, TIME: 1:30 PM

Action Items & Status Report Items

Agenda Item No: 1

Title: Proposed Regulatory Changes Regarding the Application of Tax to Watch and Jewelry Repairs (Regulation 1553, *Miscellaneous Repair Operations*)

Issue/Topic:

Should subdivision (e), *Watch and Jewelry Repairmen*, of Regulation 1553 be amended to incorporate the general provisions concerning repairs that are currently found in Regulation 1546, *Installing, Repairing, Reconditioning in General*?

Committee Discussion:

Action 1, Consent Items

There was no discussion on this item.

Action 2, Authorization to Publish

There was no discussion on this item.

Committee Action/Recommendation/Direction:

Action 1, Consent Items

The Committee approved all consent items.

Action 2, Authorization to Publish

The Committee recommended that the Board authorize publication of the amendments to Regulation 1553 as adopted in the above action. There is no operative date, and implementation will take place 30 days after approval by the Office of Administrative Law. A copy of the proposed amendments to Regulation 1553 is attached.

Approved: /s/ Claude Parrish
Honorable Claude Parrish, Committee Chair

/s/ James E. Speed
James E. Speed, Executive Director

BOARD APPROVED

at the January 9, 2003 Board Meeting

/s/ Deborah Pellegrini
Deborah Pellegrini, Chief
Board Proceedings Division

010803.doc

Proposed Amendments to Regulation 1553

State of California
BOARD OF EQUALIZATION
SALES AND USE TAX REGULATION

Regulation 1553. MISCELLANEOUS REPAIR OPERATIONS.

Reference: Section 60086, Revenue and Taxation Code.

Installing, Repairing, Reconditioning in General, Regulation 1546

(a) BOOKBINDERS. Bookbinders are consumers, rather than retailers, of the materials, such as cloth, leather, cardboard, glue, and thread, used in rebinding used books for a single or lump-sum charge, and tax applies to the sale of such materials to the bookbinder. If, however, the bookbinder makes a separate charge for such property at the fair retail selling price, the bookbinder ~~he~~ is the retailer of the materials and tax applies to the amount of the separate charge.

When bound books are sold at retail, tax applies to the gross receipts without any deduction for the cost of binding, even when done by the seller of the books. Tax also applies to the entire charge for the initial binding of new books furnished to a bookbinder for binding, unless the customer of the bookbinder will sell the books in the regular course of business, in which case ~~he~~ the customer of the bookbinder may furnish a resale certificate to the bookbinder.

Tax applies to the entire charges for binding done in connection with the furnishing of a finished product, i.e., a bound book, including a book produced with either a hard or soft cover by binding together materials such as magazines, newspapers, or business records.

(b) MOTOR AND TRANSFORMER REWINDING. Tax applies to sales of materials and supplies furnished in connection with the rewinding of motors and transformers. If a lump-sum price is charged for the materials and labor, 50 percent thereof is regarded as the sales price of the supplies and materials.

(c) SHOE REPAIRPERSONS. ~~Shoe repairmen~~ Persons engaged in repairing shoes are retailers of the tangible personal property furnished in connection with the repair work and tax applies to the retail selling price of such property. If a lump-sum or single charge is made for both materials and labor, 25 percent thereof is considered the retail selling price of the materials.

Tax applies to retail sales by shoe repairpersons ~~men~~ of such items as shoes, polishes, and laces.

(d) TENNIS RACKET RESTRINGING AND REPAIRING. Persons engaged in repairing and restringing tennis rackets are retailers of the strings and other tangible personal property furnished, and tax applies to the retail selling price thereof. If a lump-sum charge is made for materials and labor, 50 percent thereof is regarded as the retail selling price of the materials furnished.

(e) WATCH AND JEWELRY REPAIRPERSONS. ~~Persons engaged in repairing watches and jewelry repairmen~~ Persons engaged in repairing watches and jewelry are consumers of watch, clock and jewelry repair parts and materials such as crystals, findings, ~~and~~ chain links, gold and gems used in repairing watches, clocks, and jewelry. Tax applies with respect to the sale to them of such property- unless

(1) The retail value of the parts and materials furnished in connection with repair work is more than 10 percent of the total charge, or

(2) The repairperson makes a separate charge for the repair parts and materials.

~~They~~ Repairers are, however, retailers of wrist watch straps, metal bands, watches, clocks, chains, precious stones, gems and other tangible personal property which they sell to consumers in the regular course of business and tax applies to the gross receipts from such retail sales.

When the retail value of wrist watch straps, metal bands, watches, clocks, chains, precious stones, gems and other tangible personal property furnished in connection with a repair work is more than 10 percent of the total charge for the repair, the repairperson is the retailer of these parts and materials, and must segregate on the invoices to customers and in its records the fair retail selling price of these parts and materials from the charges for the repair labor performed. "Total charge" means the aggregate of the retail value of the parts and materials furnished or consumed in making the repairs and charges for the labor performed in making the repairs.

The proposed amendments contained in this document may not be adopted. Any revisions that are adopted may differ from this text.